



Administrative Office of the Courts

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For Immediate Release

AOC responds to audit by Kentucky Auditor of Public Accounts — Operational arm of Judicial Branch has already begun making changes to strengthen internal processes —

FRANKFORT, Ky., July 12, 2018 – The Administrative Office of the Courts commends Kentucky Auditor of Public Accounts Mike Harmon for completing the first audit in the history of the Kentucky Judicial Branch. Auditor Harmon held a news conference today to announce the findings of a 13-month examination of many of the policies and processes used in the administration of the state court system. The audit started June 1, 2017.

The AOC's response to the audit's findings and recommendations can be found [here](#).

“When the AOC requested this audit in May 2017, it was an unprecedented step that reversed more than 40 years of tradition in how the court system has handled external review,” Chief Justice of Kentucky John D. Minton Jr. said. “While we are careful to safeguard the Judicial Branch as a separate and co-equal branch of government, we also want to advance our efforts to be transparent and accountable to Kentucky taxpayers. There is value in obtaining regular audits of the AOC and making those results public, and the Supreme Court will determine the scope and frequency of audits going forward.”

AOC Director Laurie K. Dudgeon said there has been great benefit to bringing the Auditor of Public Accounts' expertise to a review of the AOC's administrative policies and procedures.

“I want to express my sincere appreciation to Auditor Harmon and his staff for conducting such a professional and thorough examination of the AOC,” Director Dudgeon said. “Completing a third-party exam has been one of the most valuable exercises the AOC has undertaken during my tenure as director. We sought an external audit to help us identify areas that needed improvement, particularly around policies related to our administrative functions. We anticipated many of the findings and have already begun implementing changes to strengthen our operations.”

The AOC was initially prompted to invite the APA to examine its financial operations and internal management controls by the desire to improve policies regarding the disposal of surplus property. While the APA has audited the AOC's financial statements annually since 1984 as part of the Kentucky Comprehensive Annual Financial Report, the AOC requested an audit that was broader in scope and covered certain areas for Fiscal Years 2015 and 2016, including:

- Determine whether policies and internal controls governing financial activity of the then-Department of Administrative Services, including travel reimbursement policies for elected officials and non-elected personnel, are adequate, provide the appropriate level of access and authority, are consistently followed and provide for a transparent process.
- Determine whether policies and procedures governing the Budget and Accounting & Purchasing offices are adequate, consistently followed and provide for timely reporting.
- Determine whether an independent process to receive, analyze, investigate and resolve concerns relating to potential waste, fraud and abuse exists for the AOC and Kentucky Court of Justice employees and is adequate to ensure concerns are properly addressed.

Over the course of the audit, its scope expanded to include the Department of Information & Technology Services and the Office of General Counsel's processes relating to solicitations; information from additional fiscal years; and travel expenses of the chief justice, the Supreme Court justices, and some judges and circuit court clerks across the state.

Of the many changes already made, the most significant is the restructuring of the Department of Administrative Services. During FYs 2015 and 2016, the period covered by the audit, the Division of Auditing Services, the Division of Facilities and the Division of Logistics (property accountability) were all located in the Department of Administrative Services under the supervision of a former executive officer. That department has been abolished and the divisions now report to separate managers, who in turn report directly to the AOC deputy director.

The AOC has also taken these actions:

- Developed inventory control processes.
- Implemented waste, fraud and abuse reporting mechanisms.
- Trained managers and staff on purchasing and procurement practices.
- Revised operational procedures regarding reimbursements to county governments for the operation and maintenance of court facilities.
- Consulted a tax attorney to provide advice on proposed revisions to travel reimbursement policies being developed by the AOC for recommendation to the Supreme Court.
- Implemented a process to deactivate user accounts for separated/transferred employees on a weekly basis.

The Supreme Court has also taken significant steps to tighten controls:

- Adopted an Open Records Policy for the AOC.
- Adopted an order governing the handling of the Judicial Branch's surplus property.
- Adopted amendments to the Kentucky Court of Justice Personnel Policies.
- Adopted the Kentucky Court of Justice Language Access Plan and Procedures.

With the audit and the AOC's response to the findings completed, the AOC has turned its focus to the APA's recommendations. The AOC has assembled an Audit Implementation Response Team, which will immediately begin to implement other changes. In addition, the AOC has asked the APA to conduct a one-day training later this month for AOC managers and staff that will focus on internal controls to prevent waste, fraud and abuse. That training is scheduled for July 24.

The estimated cost of the audit is \$125,000.

About the Administrative Office of the Courts

The Administrative Office of the Courts provides operational support to the chief justice of Kentucky as executive head of the Judicial Branch. The AOC is statutorily tasked with executing the policies and programs of the Judicial Branch. Its director and staff serve at the pleasure of the chief justice. The AOC executes the Judicial Branch budget and supports the activities of nearly 3,300 employees and 404 elected justices, judges and circuit court clerks.

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